FDIC State Profile

WINTER 2003

Maine

Employment declined modestly in Maine since the recession began in 2001.

- Unlike Massachusetts and Connecticut, Maine showed only a modest decline in employment from the 2001 recession. The October 2003 estimate of total payroll employment of 605,200, after seasonal adjustment, is only 4,500 jobs, or 0.7 percent, below the peak reached at the beginning of 2001 (see Chart 1).
- Despite this comparatively good performance, Maine continued to suffer heavy losses of manufacturing jobs. While the loss of manufacturing jobs has occurred elsewhere in New England, the primary factors behind the job losses in Maine were related mostly to downsizings and closings, owing to cost pressures, rather than to new technological developments.
- Employment losses were particularly intense in Maine's traditional industries, which include leather goods, pulp and paper, logging, textiles, and apparel. For example, employment in leather goods, at 2,500, was just one-quarter of the level in 1990.
- The mixture of old and new industries is reflected in Maine's exports to the rest of the world, which is led by computers and electronic products, joined with paper and forestry products.

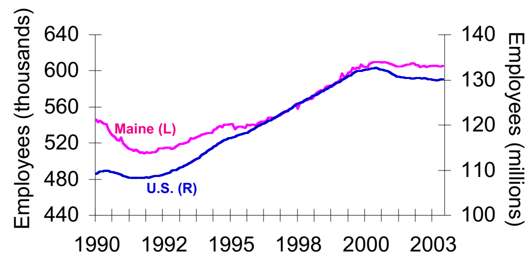
Leisure and hospitality industries continue to grow in Maine.

- Maine's other "traditional" economic base is travel and tourism, which gained approximately 6,300 jobs from early 1990 to October 2003, representing almost one in ten jobs in the Maine economy (see Chart 2).
- Since 1990, travel to and within Maine rose in every year but one, according to the Maine Turnpike Authority. The 50-million-mile level was passed in 1999; travel may reach 60 million miles on the turnpike in 2003. The increased traffic prompted a major widening of the turnpike that is now under way.

Housing appreciation continues at a healthy pace, although somewhat slower than prior years.

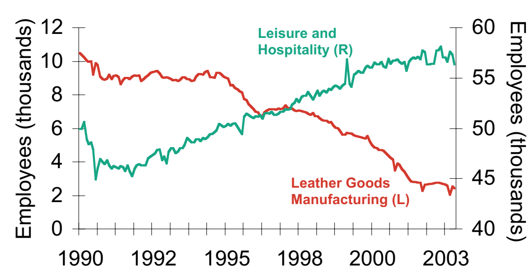
- Housing appreciated in Maine as elsewhere in New England. House prices increased 7.9 percent as of second quarter 2003 on a year-over-year basis, which represented a modest deceleration from the 10.7 percent rate posted over each of the two previous full years. Housing construction accelerated more in Maine than in other New England states (see Chart 3).

Chart 1: Nonagricultural Employment in Maine Is Stable and above U.S. Levels



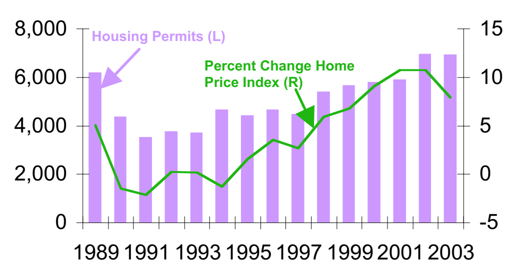
Source: U.S. Bureau of Labor Statistics. Seasonally adjusted data through October 2003.

Chart 2: Leisure and Hospitality Expands as Leather Goods Manufacturing Contracts



Source: U.S. Bureau of Labor Statistics: leisure and hospitality seasonally adjusted; leather manufacturing not seasonally adjusted. Data through 3rd quarter 2003.

Chart 3: Maine Home Prices Continue to Show Strong Growth with Increases in New Supply



Source: U.S. Census Bureau and Federal Home Loan Mortgage Corporation. 2003 data as of 2nd quarter.

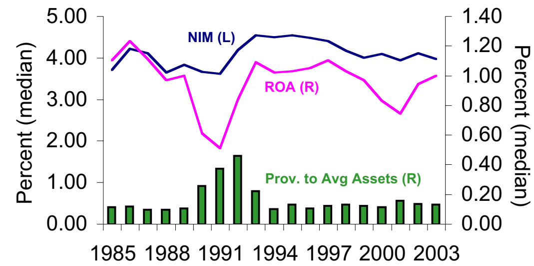
Maine's banks and thrifts continued to be profitable, despite some pressure on net interest margins.

- Maine's commercial banks reported a median return on assets (ROA) of 1.02 percent as of the second quarter 2003, down from 1.12 percent one year earlier. Profitability was undermined by declining levels of net interest income and increased expenses. The state's savings institutions posted a median ROA of 0.99 percent as of second quarter 2003, a 26-basis point increase from one year earlier. Savings institutions also saw net interest income decline, partially offset by an increase in noninterest income and a decline in expenses.
- The median net interest margin (NIM) in the state's commercial institutions declined 36 basis points to 3.99 percent as of June 30, 2003. Thrifts experienced a 6 basis point increase to 3.94 percent as funding costs declined (see Chart 4).
- Insured institutions continued to utilize gains on the sale of securities to boost earnings. As of June 30, 2003, securities gains represented 9 percent of net income in the state's commercial banks and 18 percent in savings institutions. There are still gains to be taken, at least in the short term, as total unrealized gains amounted to $153 million as of June 30, 2003, representing about 1.53 percent of total securities available for sale in commercial institutions and 2.43 percent in the savings institutions.
- Loan-loss provisions remained extremely low and have helped support profitability. Should the economy suffer another downturn, causing a deterioration in credit quality, profitability may be affected as insured institutions increase provisions.

Interest-Rate Risk remains a concern for Maine's institutions with increased concentrations of fixed-rate, long-term assets, resulting from the recent refinancing waves.

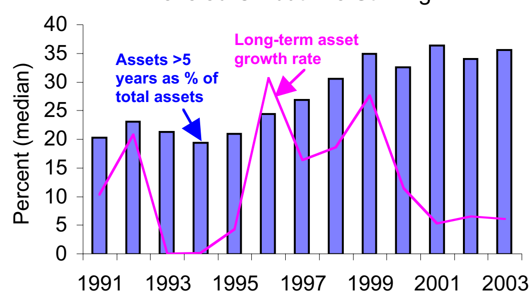
- The conventional 30-year mortgage rate has declined significantly over the past several years, falling to historic lows. Refinancing activity remained strong during the first half of 2003, but started to slow in the second half of the year as mortgage interest rates began to rise. According to the Mortgage Bankers Association, on a national basis, the level of adjustable rate mortgages has increased from only about 13 percent of originations in July 2003 to almost 24 percent in November 2003. While the shift to adjustable rate mortgages ultimately may allow greater asset repricing, insured institutions still hold large volumes of long-term assets at low fixed rates.

Chart 4: Earnings Favorable but NIM Still Shows Some Pressure



Source: Bank and Thrift Call Reports. Data as of 2nd quarter.

Chart 5: Long-Term Asset Concentrations Have Leveled Off but Are Still High



Source: Bank and Thrift Call Reports. Data as of 2nd quarter.

- Since the late 1990s, asset maturities lengthened at many institutions, but began to moderate in the last year. The median ratio of long-term assets to total assets remained among historical highs at 36 percent (see Chart 5). If the recent rise in mortgage rates is sustained, the average life of mortgage portfolios will extend further and may result in a mismatch of asset and liability repricing for some institutions. Net interest margin compression may occur, when short-term interest rates increase as liabilities reprice at a faster rate than assets.
- The extension of asset maturities has been pronounced in the state, as well as New England, reflecting the large percentage of thrifts and residential lenders. Savings institutions represented 58 percent of insured institutions in Maine, and residential real estate loans comprised almost 54 percent of their average loan portfolio as of June 30, 2003.

Maine at a Glance

General Information	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Institutions (#)	40	39	40	43	44
Total Assets (in thousands)	38,931,665	33,542,467	15,484,290	16,467,408	15,984,628
New Institutions (# < 3 years)	1	0	0	0	0
New Institutions (# < 9 years)	2	1	2	3	3

Capital	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Tier 1 Leverage (median)	8.88	8.66	9.14	9.20	9.43

Asset Quality	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Past-Due and Nonaccrual (median %)	1.49%	1.47%	2.00%	2.04%	1.85%
Past-Due and Nonaccrual > = 5%	1	1	2	2	4
ALLL/Total Loans (median %)	1.18%	1.17%	1.16%	1.12%	1.23%
ALLL/Noncurrent Loans (median multiple)	2.13	2.31	1.25	1.54	1.48
Net Loan Losses/Loans (aggregate)	0.20%	0.25%	0.22%	0.20%	0.17%

Earnings	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Unprofitable Institutions (#)	1	0	1	0	0
Percent Unprofitable	2.50%	0.00%	2.50%	0.00%	0.00%
Return on Assets (median %)	1.00	0.94	0.75	0.83	0.97
25th Percentile	0.71	0.59	0.48	0.59	0.66
Net Interest Margin (median %)	3.96%	4.10%	3.94%	4.09%	4.00%
Yield on Earning Assets (median)	5.99%	6.82%	7.92%	7.98%	7.76%
Cost of Funding Earning Assets (median)	2.10%	2.71%	4.15%	4.04%	3.72%
Provisions to Avg. Assets (median)	0.13%	0.13%	0.16%	0.11%	0.12%
Noninterest Income to Avg. Assets (median)	0.67%	0.64%	0.58%	0.56%	0.58%
Overhead to Avg. Assets (median)	3.05%	3.04%	3.04%	2.96%	3.10%

Liquidity/Sensitivity	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Loans to Deposits (median %)	94.74%	94.88%	95.63%	97.34%	88.34%
Loans to Assets (median %)	70.33%	71.13%	71.74%	73.11%	69.59%
Brokered Deposits (# of institutions)	14	13	9	9	9
Bro. Deps./Assets (median for above inst.)	2.93%	2.58%	2.75%	2.05%	2.70%
Noncore Funding to Assets (median)	22.24%	22.47%	22.73%	22.44%	16.00%
Core Funding to Assets (median)	65.44%	67.25%	67.09%	67.06%	71.89%

Bank Class	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
State Nonmember	8	7	7	7	8
National	6	6	6	6	5
State Member	3	2	2	3	3
S&L	7	7	7	7	7
Savings Bank	2	2	2	4	4
Mutually Insured	14	15	16	16	17

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
No MSA	29	8,997,219	72.50%	23.11%
Portland ME	4	26,542,505	10.00%	68.18%
Lewiston-Auburn ME	4	1,200,775	10.00%	3.08%
Bangor ME	3	2,191,166	7.50%	5.63%